

Message Text

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ACTION EB-07

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9944

INFO AMEMBASSY BANGKOK

AMEMBASSY COLOMBO

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

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TAGS: EIND EPAP ETRD MY

SUBJ: MEETING OF ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES

1. ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES
(ANRPC) MET IN KUALA LUMPUR MAY 5-9. EXPERTS FROM
INDONESIA, MALAYSIA, THAILAND, SINGAPORE AND SRI LANKA
PARTICIPATED. COMMITTEE AGREED AND RECOMMENDED THAT
SOCIAL-ECONOMIC FACTORS RELATED TO NR SMALLHOLDERS AND
TECHNICAL-ECONOMIC FACTORS RELATED TO NR-SR COMPETITION
MADE IT IMPERATIVE THAT MEASURES BE IMPLEMENTED TO
BRING ABOUT NR PRICE STABILITY; THAT WHILE LONG-TERM NR
OUTLOOK STRONG, SHORT-TERM SUPPLY/DEMAND IMBALANCES
CAUSE DIFFICULTIES WHICH REQUIRED MEASURES CONSISTENT
WITH LONG-TERM INTEREST OF HEALTHY AND VIABLE NR
INDUSTRY; THAT SUPPLY RATIONALIZATION SCHEME BE
SIMULTANEOUSLY INSTITUTED WITH INTERNATIONAL BUFFER
STOCK SCHEME AS TWO PARTS OF PRICE STABILIZATION
SCHEME; THAT FOR CALENDAR 1975, ANRPC PRODUCING
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COUNTRIES SHOULD EXPORT ONLY 2.813 MILLION TONS OF

NR TO INTERNATIONAL MARKET; THAT DIFFERENCE BETWEEN 2.813 MILLION TONS AND ACTUAL PRODUCTION BE ABSORBED THROUGH SUPPLY RATIONALIZATION SCHEME AND THE INTERNATIONAL BUFFER STOCK; THAT REDUCTION OF NR EXPORTS DURING 1975 BY ANRPC COUNTRIES WILL BE MORE THAN 380,000 TONS; THAT FORMULA HAS BEEN AGREED FOR APPORTIONING RESPONSIBILITIES UNDER TWO SCHEMES; THAT SUB-COMMITTEE BE ESTABLISHED TO FORMULATE LEGAL FRAMEWORK FOR IMPLEMENTATION OF TWO SCHEMES; THAT NEXT ASSEMBLY OF ANRPC BE AT MINISTERIAL LEVEL IN AUGUST; AND THAT COMMITTEE WORK PROGRAM FOR 1976 INCLUDE SOUTH AMERICAN LEAF BLIGHT, STATISTICS, SMALLHOLDERS DEVELOPMENTS AND SHIPPING OF NR.

2. COMMENT. ACCORDING SECGEN, ANRPC HAS COME TO VIEW THAT, BECAUSE OF LARGE COMMERCIAL NR STOCKS HELD IN CONSUMING COUNTRIES, SIZE OF INITIALLY PROPOSED INTERNATIONAL BUFFER STOCK REQUIRED, TO BE EFFECTIVE, SO LARGE AS TO BE UNMANAGEABLE TO ANRPC. WHILE RETAINING BUFFER STOCK CONCEPT, EMPHASIS HAS SHIFTED TO MECHANISMS TO ATTEMPT BALANCE PRODUCTION WITH DEMAND (DEMAND CALCULATED BY ANRPC ON BASIS OF ACCEPTABLE RANGE OF PRICES AND IS, WE UNDERSTAND, SOMEWHAT LESS THAN DEMAND CALCULATED BY INTERNATIONAL RUBBER STUDY GROUP).

3. APPORTIONMENT OF PRICE STABILIZATION SCHEME RESPONSIBILITIES TO INDIVIDUAL ANRPC MEMBER COUNTRIES (INCLUDING SINGAPORE) REPORTEDLY ON BASIS OF CONTRIBUTIONS TO ANRPC BUDGET. FOR MAJOR PRODUCERS, SHARES ARE MALAYSIA (FORTY-THREE PERCENT), INDONESIA (THIRTY-FOUR PERCENT), THAILAND (12 PERCENT).

4. MEANS OF FULFILLING THESE RESPONSIBILITIES WILL BE DETERMINED BY INDIVIDUAL COUNTRIES. FOR MALAYSIA, MEASURES WILL BE ESSENTIALLY THOSE ALREADY IMPLEMENTED (I.E., DISCONTINUE USE OF STIMULANTS, HOLIDAYS FOR TAPPERS, INCREASED REPLANTING, INCREASED STOCKS HELD BY DEALERS, GOVERNMENT PURCHASES, ETC.). FOR INDONESIA, "CHECK PRICE" SYSTEM WOULD REPORTEDLY LIMITED OFFICIAL USE

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CONTINUE TO BE USED.

5. STOCKS HELD BY MEMBER COUNTRIES WOULD COUNT IN INTERNATIONAL BUFFER STOCK. CHAIRMAN MALAYSIAN LICENSING AND MARKETING BOARD HAS EXPRESSED VIEW THAT IT ESSENTIAL TO HAVE PHYSICAL BUFFER STOCKS IN SOME CONSUMER COUNTRIES, WITH SPECIFIC MENTION OF US (STORAGE AT NORFOLK, VIRGINIA, AND ALSO AT AKRON). IN THIS

REGARD, THERE HAS BEEN SPECULATIVE INTEREST IN POSSIBLE
AVAILABILITY OF UNUTILIZED GSA RUBBER WAREHOUSE FA-
CILITIES IN VICINITY OF AKRON.

6. FINANCING OF INTERNATIONAL BUFFER STOCK IS OF COURSE
ESSENTIAL ELEMENT AND SERIOUS PROBLEM FOR ANRPC.
PRIMARY INTEREST CONTINUES TO BE IN AMENDMENT OF
IMF ARTICLES WHICH WOULD PERMIT DIRECT FINANCING OF
RUBBER BUFFER STOCK. ALTHOUGH MINISTER PRIMARY
INDUSTRIES MUSA HITAM MENTIONED IN OPENING ADDRESS
LLHAT EUROPEAN FINANCIAL GROUP HAD OFFERED TO FINANCE
BUFFER STOCK OPERATIONS, OTHER SOURCES COMPLETED
PICTURE BY REVEALING THAT GROUP OFFER WAS AT EIGHT
PERCENT INTERST. MINISTER HITAM ALSO STATED THAT
MALAYSIA WILLING COMMIT M DOLS 300 MILLION TO SCHEME.
IN VIEW IMPORTANCE SMALLHOLDERS IN MALAYSIA (500,000
TO 540,000, NINETY PERCENT MALAY), THIS NOT SURPRISING,
BUT VARIOUS SOURCES INDICATE THAT SMALLHOLDER QUESTION
LESS SENSITIVE IN OTHER MAJOR NR PRODUCING COUNTRIES.
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